

Message Text

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ACTION NEA-12

INFO OCT-01 AF-10 EA-11 ISO-00 EB-11 COME-00 INT-08 SCEM-02

OMB-01 TRSE-00 CIEP-02 CIAE-00 DODE-00 PM-07 H-03

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SS-15 USIA-15 ACDA-19 IO-15 DRC-01 /164 W

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R 041834Z OCT 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7179

INFO AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY JIDDA

AMEMBASSY RANGOON

AMEMBASSY TRIPOLI

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: STGR, IN

SUBJECT: INDIAN INTEREST IN LIBYAN OIL

REF: A) STATE 182055 B) STATE 188350 C) TRIPOLI 1232

D) NEW DELHI 9773 E) NEW DELHI 11006

SUMMARY: GOI HAS AGREED TO PURCHASE 32.6 MILLION BARRELS
(4.5 MILLION TONS) LULUN CRUDE OVER NEXT 2-1/2 YEARS. NONE
OF THIS WILL BE "HOT" OIL A
Y ALL LIBYAN CRUDE WILL BE BARTERED
FOR PERSIAN GULF CRUDE RATHER THAN SHIPPED FOR CONSUMPTION IN INDIA.
END SUMMARY.

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1. IN ACCORDANCE REF B, EMBOFFS RAISED SUBJECT OF INDIA'S

REPORTED PURCHASES OF LIBYAN CRUDE OIL WITH MEA JOINT SECRETARY J.S. TEJA AND FINANCE MINISTRY ECONOMIC AFFAIRS JOINT SECRETARY S.K. KRISHNASWAMI. AFTER REVIEWING SUBSTANCE USG POSITION ON LIBYAN CRUDE, EMBOFFS ASKED FOR CLARIFICATION OF NATURE OF INDIAN PURCHASES.

2. TEJA WAS UNINFORMED BY KRISHNASWAMI, WHO HAD BEEN MEMBER INDIAN DELEGATION, WAS EXTREMELY FORTHCOMING. KRISHNASWAMI STATED SEPTEMBER TALKS IN TRIPOLI WERE MERELY FOLLOWUP ON EARLIER DISCUSSIONS

AND ONLY NEW FEATURE WAS ADDITION OF HALF MILLION TONS CRUDE FOR DELIVERY THIS YEAR. GOI HAD NEVER INTENDED TO IMPORT LIBYAN CRUDE, BUT WOULD TRADE LIBYAN CRUDE FOR PERSIAN GULF CRUDE FOR ACTUAL SHIPMENT TO INDIA.

3. HE POINTED OUT THAT THE CURRENT MARKET PRICE (F.O.B. AS SIDR), PLUS FREIGHT, PRECLUDED ECONOMICAL TRANSPORTATION OF LIBYAN CRUDE TO INDIA VIA THE CAPE OF GOOD HOPE. HE SAID THAT, IN THE ABSENCE OF A REDUCED CONCESSIONARY PRICE TO INDIA (AND CLEARLY NONE WAS INDICATED), CRUDE OIL PURCHASES FROM LIBYA WILL BE FEASIBLE ONLY IF INDIA CAN FIND CUSTOMERS WILLING TO TRADE LEGALLY ACCEPTABLE INDIAN-PURCHASES LIBYAN CRUDE FOR (SAY) "EQUAL QUANTITIES" OF PERSIAN GULF CRUDE NOT OTHERWISE AVAILABLE TO INDIA. AT THIS JUNCTURE, KRISHNASWAMI OPINED THAT "IT MAY BE JUST AS WELL" THAT THE GOI WAS UNSUCCESSFUL IN ITS BID TO REACH AN AGREEMENT WITH LARG FOR LARGE ANNUAL VOLUMES OF LIBYAN CRUDE. HE REITERATED THAT THE GOI "DOES NOT INTEND TO CONSUME LIBYAN CRUDE IN INDIA" AND MUST THEREFORE BE PREPARED TO SELL OR TRADE ON THE OPEN MARKET "ALL THAT WE PURCHASE" FROM THAT SOURCE. GOI WILL PROBABLY BE REQUIRED TO SELL OR TRADE LIBYAN CRUDE ON A SPOT BASIS, AND KRISHNASWAMI DOES NOT BELIEVE INDIA SHOULD ASSUME THE ADDED BURDEN OF LARGE-SCALE OIL TRADING TO ITS OTHER PROBLEMS AT THIS TIME.

4. IN ORDER TO ENGAGE IN SUCH BARTER ARRANGEMENTS, GOI HAD TO BE SURE THAT NOC OIL WOULD BE LEGALLY ACCEPTABLE IN WORLD MARKETS AND, IN FACT, HAD REJECTED LIBYAN OFFERS OF "QUESTIONABLE" CRUDE. ACTUAL PURCHASES WERE OF AS SIDR CRUDE WHICH WERE CURRENTLY AVAILABLE ON WORLD MARKET AND WERE IN NO WAY "HOT."

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5. TO SUMMARIZE, INDIA HAS CONCLUDED AGREEMENTS WITH THE LIBYAN GOVERNMENT FOR THE PURCHASE OF 3.6 MILLION BARRELS OF CRUDE (0.5 MILLION METRIC TONS) DURING 1973, AND 14.5 MILLION BARRELS (2.0 MILLION TONS) ANNUALLY DURING 1974 AND 1975 (REF D). THE VOLUME REPORTEDLY TO BE PURCHASED DURING 1973 REPRESENTS ONLY 6 PERCENT OF INDIA'S CRUDE REQUIREMENTS FOR THE YEAR, WHILE 1974 AND 1975 PURCHASES WILL COMPRISE ABOUT 8 PERCENT OF INDIA'S NEEDS DURING EACH OF THESE YEARS (REF E). HE IMPACT

OF LIBYAN CRUDE (OR A PERSIAN GULF-SUBSTITUTED ALTERNATE)
ON THE INDIAN SCENE WILL THUS BE INSIGNIFICANT AT BEST. INDICATIONS
ARE THAT THE GOI'S TRADITIONAL FOREIGN PRIVATE SECTOR CRUDE
SUPPLIERS (BURMAH-SHELL, CALTEX, AND ESSO) MAY AGAIN JOINTLY
MAKE UP ANY DEFICIT THAT ACCRUES, SHOULD ANY PORTION(AR ALL)
OF THESE PURCHASES (OR THEIR SUBSTITUTES) FAIL TO REACH INDIA
DURING THE PERIODS CITED.

6. COMMENT: KRISHNASWAMI'S EXPLANATION APPEARS LOGICAL AND
IN LINE WITH EMBASSY TRIPOLI'S REPORTING. ISSUE OF INDIAN
PURCHASES OF "HOT"CRUDE WOULD APPEAR NOT TO ARISE. END COMMENT.
SCHNEIDER

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